

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. SPU-98-12
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**ORDER RECOMMENDING DELINEATION OF TRANSMISSION
AND LOCAL DISTRIBUTION FACILITIES**

(Issued April 30, 1999)

PROCEDURAL HISTORY

On November 12, 1998, MidAmerican Energy Company (MidAmerican) filed with the Utilities Board (Board) a petition for a Board order recommending delineation of local distribution facilities subject to the Board's state jurisdiction and transmission facilities subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC). MidAmerican also has transmission and distribution facilities in Illinois and filed a similar proposal with the Illinois Commerce Commission. On December 4, 1998, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed a motion to dismiss MidAmerican's petition without prejudice. The Board denied the motion to dismiss and set a procedural schedule by order issued January 14, 1999.

IES Utilities Inc. and Interstate Power Company (Alliant) intervened in the proceeding. Prefiled testimony was submitted and a hearing was held on March 1, 1999. All parties had the opportunity to submit post-hearing briefs.

BACKGROUND

Pursuant to FERC Order 888, FERC will give deference to states' determinations as to which facilities are transmission and which are local distribution, provided that the states apply the seven-factor test outlined in the FERC order. This delineation is required only when states unbundle retail rates. FERC said delineation of the transmission and distribution system is not required when states only implement retail access programs of a short duration. Such programs are deemed to be pilots or experiments.

Illinois' state legislature passed a retail access law which will be implemented beginning October 1, 1999. MidAmerican received an order recommending the delineation it proposed to the Illinois Commerce Commission by order issued April 7, 1999. While Iowa has not passed restructuring legislation, MidAmerican contends that Phase II of its Market Access Service (MAS) pilot project, approved by the Board in Docket No. TF-97-229, will require delineation. Phase II of MAS will not be implemented prior to late 2000.

Order 888 establishes seven factors of local distribution to be evaluated on a case-by-case basis. The seven factors are:

1. Local distribution facilities are normally in close proximity to retail customers.
2. Local distribution facilities are primarily radial in character.
3. Power flows into local distribution systems; it rarely, if ever, flows out.
4. When power enters a local distribution system, it is not reconsigned or transported on to some other market.

5. Power entering a local distribution system is consumed in a comparatively restricted geographical area.
6. Meters are based at the transmission/local distribution interface to measure flows into the local distribution system.
7. Local distribution systems will be of reduced voltage.

MidAmerican owns and operates electric lines and facilities at voltages of 345 kV, 161 kV, 69 kV, 34.5 kV, 13.8 kV, 13.2 kV, 12.47 kV and voltages below 12.47 kV. MidAmerican's proposal classifies all lines 69 kV and below as distribution. MidAmerican also classifies certain 161 kV lines located in urban areas as distribution. Substations are classified as transmission or distribution based on the type of line they connect with. MidAmerican said its proposal was based on the FERC seven-factor test and guidelines formulated by the Mid-Continent Area Power Pool.

POSITIONS OF THE PARTIES

MidAmerican and Consumer Advocate differed on whether the Board needed to determine a transmission/distribution split at this time. Alliant also briefed this issue, although its primary concern is that Board action in this docket not create binding precedent for Alliant's future jurisdictional filing.

MidAmerican urged the Board to decide a jurisdictional delineation at this time because FERC may not allow a utility to use different delineations in different states. MidAmerican said Iowa may lose its opportunity for meaningful review if it does not act within the same general time frame as Illinois. MidAmerican further argued Phase II of its MAS is not an experimental program of short duration and FERC requires a jurisdictional delineation prior to implementation of Phase II.

Consumer Advocate said the Board need not determine a jurisdictional split before the implementation of Phase II of MAS in late 2000 or early 2001. Further, Consumer Advocate urged the Board to conduct a single generic proceeding to avoid MidAmerican and Alliant using different criteria and leading to varied and inconsistent results.

MidAmerican and Consumer Advocate also differed on the classification of certain facilities. Consumer Advocate and MidAmerican specifically disagreed on two issues: the classification of 161 kV line segments in the Waterloo area as distribution facilities and the classification of 69 kV lines as distribution facilities.

Consumer Advocate contends the Waterloo lines should not be classified as distribution because the lines can be used to transport power to other locations. Consumer Advocate argued several factors of the seven-factor test were not satisfied for certain Waterloo 161 kV line segments.

Consumer Advocate said the 69 kV lines must be evaluated on a case-by-case basis, not classified as a group. For example, Consumer Advocate argued most of the 69 kV lines in rural areas may function as transmission lines.

DISCUSSION

In its "Order Docketing Filing, Denying Motion to Dismiss, and Setting Procedural Schedule" issued January 14, 1999, the Board discussed some of its reasoning for acting on MidAmerican's request for delineation at this time. In addition to the discussion contained in that order, the Board does not believe a generic proceeding involving Iowa's two investor-owned electric utilities, MidAmerican and Alliant, would be useful.

Order 888 appears to require a utility specific jurisdictional delineation. Each utility's transmission system has unique characteristics and is used and operated based on different criteria. Applying FERC's seven-factor test to different utilities' systems can best be done in utility-specific dockets. The Board does not believe a "one size fits all" transmission/distribution facility and line delineation can be devised for Iowa utilities.

However, the Board recognizes that any delineation recommended here is based on the facts and circumstances that exist today. Phase II of MAS will not commence until late 2000 or early 2001. Restructuring legislation introduced in the Iowa General Assembly this session is expected to be debated next year. The proposed legislation, as it currently stands, would open Iowa's retail markets to competition on May 1, 2002. If changes in Iowa's electric industry result in substantive changes to the way MidAmerican's transmission/distribution system is used and operated, it may be appropriate to recommend different delineations to FERC. What is transmission today may be distribution tomorrow and vice versa.

The Board's recommendations in this order are specifically based on the evidence presented, and the Board specifically reserves the right to recommend new delineations if the facts and circumstances warrant. Order 888 does not preclude this. The Board believes that because the electric industry is in a state of flux, any delineation made today should not be cast in stone.

Consumer Advocate critiqued MidAmerican's application of FERC's seven-factor test, but did not offer an alternative methodology to apply the test. MidAmerican's methodology included the use of power flow studies, assessments of the electrical configuration, assessments of the area coverage for facilities at various voltage levels, and discussions of other technical and functional characteristics of the MidAmerican system. MidAmerican did not use one of the seven factors as conclusive in determining classification because all seven of the factors describe characteristics of local distribution systems. In addition, because MidAmerican's system is integrated with other utilities' systems, MidAmerican used both local area assessments and broader area assessments in applying the seven FERC factors.

In applying the seven FERC factors, the Board recognizes that some lines or facilities classified as distribution may not meet all the indicators of distribution lines. The Board believes no one factor in the test is determinative and that the Board must evaluate and balance all the factors in determining whether a line or facility is transmission and distribution. After reviewing the evidence presented, the Board finds that the delineation proposed by MidAmerican is reasonable and based on substantial evidence. The proposed delineation will decrease MidAmerican's FERC-jurisdictional transmission rate base and increase its Iowa's jurisdictional revenue

requirement. However, customer rates will not change until an examination in a rate case proceeding.

The two areas specifically disputed by Consumer Advocate are the 161 kV segments in Waterloo and the 69 kV lines. The 161 kV segments in the Waterloo area appear to satisfy all the FERC factors except number 7. The lines are in close proximity to the retail customers where that power is in a comparatively restricted geographic area. (Factors 1 and 5). Although the lines are not radially configured, the looped facilities function and provide service to retail customers and function as though they are primarily radial in character. (Factor 2). Power rarely, if ever, flows out of the system and the power is not transported to some other market. (Factors 3 and 4). Finally, equipment installed at every interface distinguishes the power flows of the transmission system from the power flows on the distribution system. (Factor 6).

The 161 kV lines do not appear to meet the reduced voltage test of factor 7. However, because the lines meet an overwhelming preponderance of the factors, the Board believes it is most reasonable to classify them as distribution.

Consumer Advocate's critique of MidAmerican's analysis of the 69 kV lines focused on MidAmerican's failure to evaluate each 69 kV line segment. However, a review of the record demonstrates MidAmerican in fact examined the flows on each individual line and concluded that except in a few cases (i.e., a specific outage situation) most of the load flow changes occurred on the 161 kV and 345 kV lines and that 69 kV line load changes were insignificant. MidAmerican's evidence

persuasively demonstrates that these lines are properly classified as distribution under the seven-factor test.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The petition for a Board order recommending delineation of transmission/distribution distribution facilities filed by MidAmerican Energy Company on November 12, 1998, is granted until such time as new delineations are appropriate.
2. MidAmerican's delineation of transmission/distribution facilities is recommended by the Board to FERC at this time pursuant to Order 888, but the Board specifically reserves the right to recommend different delineations if changes in the facts and circumstances so warrant.
3. The Executive Secretary of the Utilities Board is directed to forward a copy of this order to the Federal Energy Regulatory Commission.
4. Motions and objections not previously granted or sustained are denied or overruled. Any argument in the briefs not specifically addressed in this order is rejected either as not supported by the evidence or as not being of sufficient persuasiveness to warrant comments.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Paula S. Dierenfeld

ATTEST:

/s/ Raymond K. Vawter, Jr.

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Executive Secretary

Dated at Des Moines, Iowa, this 30th day of April, 1999.